

AUDIOVALLEY

New transaction in the music services market+

(Downtown, MBW)

Downtown, a US company known for its CB Baby independent music distribution service, announced yesterday that it has sold its music rights catalog to Concord. This catalog includes the rights on 145,000 works. Sources say the deal is worth around \$400 million.

The rights ownership market is very appealing to investors. There have been numerous transactions with a considerable inflation of the amounts invested. This trend has accelerated since the arrival of listed companies such as Hipgnosis Songs or Round Hill Music Royalty, which are competing with the labels on their own ground. But nothing new here.

What is interesting about this transaction is the profile of the seller and the rationale behind it. After a strategic review of its activities, Downtown considered that there was a tremendous opportunity for an independent provider to develop in the music services market. The sale of its IPs allows Downtown to: 1) take advantage of a favorable market window for the valuation of the rights it holds due to strong competition between buyers, 2) reinvest this windfall to consolidate its position and accelerate its development in the hyper-growth market for artist services.

This strategic move symbolizes the market potential in which Jamendo is investing. A hyper dynamic market that will completely reshuffle the cards of the music industry in the future, and where Jamendo should quickly emerge as a major player in Europe.

Buy, TP of €6.2 - Jean-Pierre Tabart : +33 1 78 95 71 60

Market Data

Industry	Media Technology
Share Price (€)	3,2
Market Cap (€M)	41,7
Market Segment	Euronext Growth
Bloomberg	ALAVY FP

Ownership structure

Founders	43,1%
Free float	56,7%
Treasury shares	0,2%

€M (31/12)	2019	2020e	2021e	2022e
Sales (€M)	22,0	19,5	28,0	37,6
<i>Growth</i>	29,6%	-11,3%	43,6%	34,5%
EBIT	-4,7	-3,3	-2,3	-0,3
<i>Op. Margin(%)</i>	-21,5%	-17,1%	-8,2%	-0,8%
Net income	4,8	-4,8	-3,7	-1,7
EPS diluted €	0,50	-0,39	-0,24	-0,09
<i>EPS growth</i>	ns	ns	ns	ns
Dividend	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
FCF	-5,0	-0,3	0,5	2,1
ROCE	ns	ns	ns	ns
EV/Sales (x)		2,9	1,7	1,2
EV/EBIT (x)		ns	ns	ns
PE (x)		ns	ns	ns
Net Debt	16,3	14,5	5,4	3,3
<i>Gearing</i>	113%	97%	27%	18%

Midcap Partners estimates

Upcoming event : Sales Q2 - 27/07/21

DISCLAIMER

This document may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Rating structure

- ☒ Buy: expected to outperform the market by more than 10% over a 6 - 12 months horizon
- ☒ Hold: expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- ☒ Sell: expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at marketing@midcapp.com.

Conflict of Interests

Company	Closing price (€)	Rating	Warning
AUDIOVALLEY	3,2	Buy	G
BIGBEN	19,72	Buy	F
BIOMERIEUX	108,8	Under review	Nil
DOXEE	7,4	Buy	G
ID LOGISTICS	228,5	Buy	Nil
ITALIAN WINE BRANDS	30,7	Buy	G
LECTRA	29,7	Buy	Nil
LUMBIRD	17,28	Buy	D,E,F,G
NACON	6,79	Buy	D,E,G
UV GERMI	10,76	Buy	D,F,G

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Rating distribution

As of 01/04/2021, the ratings issued by the Midcap research team were as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	75%	80%
Hold	19%	18%
Sell	3%	0%
Under review	1%	0%
Tender	2%	2%

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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